

Chief Executive's Review



The Bank's renewed drive towards digitalisation of operations, delivery channels, and products and services in 2019, resulted in delivering better outcomes and enhancing customer experience.

Staying connected to our core ethos and making connections were vital for the success we have enjoyed in the past 65 years. With our legacy as the pioneer development bank in the country and our transition to a fully-fledged, dynamic commercial bank, we possess a unique proposition unmatched by other banks in the sector. DFCC Bank has evolved with time to meet the changing needs of its customers and has leveraged the latest technology in the industry to enhance its offering, to be better connected, and to serve all stakeholders.

During the year, we made significant strides in improving the internal processes and the value proposition guided by our far-sighted business plan. Substantial steps were taken towards digitalisation of operations, products and services, and delivery channels. During the year, we were able to reap the rewards of these initiatives. Another primary focus in 2019 was strengthening the DFCC brand through a number of initiatives and campaigns carried out throughout the year.

Financial performance

Each year, we strive to be better connected with our shareholders and work towards fulfilling their requirements to preserve the value of their investment. Operating in a challenging socio-economic context, the Bank recorded a total income of LKR 43.3 Bn, a growth of 10.5% in 2019 underpinned by a growth in interest income. Proportionate to the growth in loans and advances, the Bank's net interest income grew by 10.2%. However, interest expenses grew at a faster rate of 14.2%. Consequently, net interest income only grew marginally by 2% during the year.

Due to socio-political factors and a challenging business environment, an industry-wide trend of asset quality deterioration was observed. While the Bank experienced a 58% increase in impairment provisions for the year, our NPL ratios continued to remain lower than the industry averages.

Creating better connections with stakeholders

By identifying, monitoring, and addressing stakeholder needs, we strive to be better connected with them. The new strategy in place along with our corporate governance practices facilitates maintaining long-standing relationships and creating sustainable value for all our stakeholders.

Customer-centricity

Vision 2025 outlines enhancing customer-centricity as a top priority in order to achieve our long-term goal of reaching two million customers. Through multiple approaches such as innovative products, widened footprint, and internal improvements, we significantly enhanced customer experience. Improvements were made to our card operations where innovative, technically-advanced cards were introduced to customers. Further, our Retail Banking underwent a restructuring process during the year. Consequently, sales teams were divided according to client segments and region, allowing them to provide personalised, superior customer service. Customer Service Week was celebrated in October with a range of activities organised for customers to inspire, appreciate, and further reinforce our commitment towards them. Further, the Contact Centre adopted several measures to improve its operations with the assistance of the Customer Experience Unit and the Lean Management Unit. Moreover, we enhanced our product portfolio with virtual products, card propositions, and loan products. We also reduced the turnaround time in leasing and loans processing contributing to overall customer convenience and satisfaction.

Employee engagement

Our employees are our greatest asset and we prioritise building a skilled and motivated talent pool focused on driving the strategies of the Bank. A training needs analysis is carried out every year to identify gaps in knowledge and to better align our training programmes to overall strategic goals. We invested LKR 34.6 Mn in training and development with over 103,000 training hours, a significant increase of 41% from 2018. Besides, we increased the financial benefits in 2019 to incentivise our employees further to achieve our collective goals. For the first time in the history of the Bank, a series of "Townhall" meetings were held with employees to increase interaction. This enabled our employees to present their ideas to the top management and a task committee was appointed to address the ideas and process improvements presented at these meetings.

#TogetherWeGrow (#TWG)

This initiative was launched in 2019 with the intention of building a more cohesive, team-oriented work environment and to motivate employees. During the year, a number of programmes were launched under #TWG including a sporting event with three other industry giants, "Bee Awards" a monthly staff recognition programme, and a closed facebook group dedicated for employees to post team events, birthday celebrations, branch events etc. We hope to continue this initiative in the coming years.

A significant brand

We have completed our transition from a development bank into a fully-fledged commercial bank and have set a long-term strategic objective of being among the top five LCBs in the country by 2025. Thus, one of the primary focus areas of 2019 was to improve brand visibility. A number of initiatives together with a fully-integrated corporate brand campaign "Bank for Everyone" was launched during the year to strengthen and position DFCC Bank as a leading retail bank in the market.

Connected to the digital space

In this fast changing financial landscape digitalisation and new technologies are adopted to enhance customer experience. Our strategy was formulated to proactively identify and address the needs of the modern customer. Our digital product offering was further improved during the year with the introduction of interactive e-statements and upgrades to our Virtual Wallet and iConnect solutions. Moreover, we procured a new, state-of-the-art Core Banking system to handle all our operations and to increase internal efficiencies. The preliminary steps have been taken to adopt the system which will come into full effect in 2020. Equipped with the latest technologies and a varied digital product offering, we are geared to face the digitalised future and to be on par with industry leaders.

Outlook

Operating in a turbulent socio-economic setting in 2019, our focus was directed at our internal operations. Taking into account our employee feedback and in consultation with the Board, corporate management, and industry experts, a new strategy was formulated that charts our course for the future. In 2019, we strengthened all our core business lines, introduced improvements to our systems and processes, enlarged our digital offering, and leveraged the latest technology. In 2020, we will build on these foundations to work towards achieving our short to medium term objectives as well as our long-term objectives.

Acknowledgements

Firstly, I would like to thank the outgoing Chairman Mr C R Jansz for his untiring efforts and drive during his tenure to make DFCC Bank a leading corporate entity in Sri Lanka. While welcoming the new Chairman of DFCC, Mr J Durairatnam to the helm, I would also like to extend my appreciation to the Board of Directors for their guidance and counsel.

Furthermore, I would like to thank the Governor and the staff of the Central Bank of Sri Lanka, the Treasury and its officials, and officials in other government institutions for facilitating our needs and for their continuous support. I extend my thanks to our shareholders, business partners, our affiliated international financial institutions, and other bodies for the trust placed in DFCC Bank and for maintaining mutually-beneficial relationships.

In conclusion, I would like to thank our customers for their loyalty and our employees and their families for the sacrifices made and exceptional services rendered.



L H A L Silva

Chief Executive Officer

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